

PUBLIC DISCLOSURE

May 12, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SAVERS CO-OPERATIVE BANK

26455

**270 MAIN STREET
SOUTHBRIDGE, MASSACHUSETTS 01550**

**Division of Banks
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**Federal Deposit Insurance Corporation
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NOTE:	This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.).
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Savers Co-operative Bank (Savers or the Bank)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **May 12, 2014**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. The assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The FDIC and Division rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations*

INSTITUTION RATING

INSTITUTION'S CRA RATING:

This institution is rated “High Satisfactory” by the Division.

This institution is rated “Satisfactory” by the FDIC.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Based on the Bank’s asset size, their CRA performance was evaluated using the *Interagency Intermediate Small Institution (ISI) Examination Procedures*, which consists of a Lending Test and a Community Development Test. A summary of the Bank’s overall performance within each of the two tests is provided below and additional detail is provided under the *Conclusions with Respect to Performance Tests*

Lending Test:

The Lending Test is rated “Satisfactory” by both agencies. Savers’ average net loan-to-deposit ratio was 93.7 percent for the period under review. This ratio is more than reasonable given the Bank’s size and assessment area credit needs and compares similarly to other similarly-sized institutions in the area and higher than its peer group. A majority of the Bank’s loans and other lending-related activities are in the assessment area. The distribution of loans reflects an excellent penetration among borrowers of different income levels and businesses of different sizes. The geographic distribution of the Bank’s loans reflects reasonable dispersion throughout the assessment area. The Bank received no CRA-related complaints.

Community Development Test:

The Community Development Test is rated “High Satisfactory” by the Division and “Satisfactory” by the FDIC. The Bank’s community development performance demonstrates good responsiveness to the assessment area through its community development loans, qualified investments, and community development services.

During the period reviewed, 44.3 percent of all the Bank’s charitable donations were qualified. The extent to which Bank officers and staff are providing qualified community development services is adequate. The Bank has provided several educational seminars within their assessment area. Seminars included financial literacy for students and homebuyer education. The Bank is also an active participant in the only school savings program validated by the U.S. Department of Education, the Save for America program.

SCOPE OF EXAMINATION

The CRA evaluation includes a review of the Bank's lending and community development activities for the period of November 22, 2010 through May 12, 2014. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

Under the Lending Test, examiners emphasized all originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") for 2012 and 2013. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 457 loans totaling \$71.3 million in 2012 and 325 loans totaling \$55.8 million in 2013. The agencies compared the Bank's 2012 home mortgage lending performance with 2012 aggregate lending data; 2013 aggregate data was not available as of the evaluation date. Aggregate data includes the lending activity within the Bank's assessment area of all institutions subject to HMDA reporting.

We also reviewed small business loans for the same period. Small business loans include commercial real estate and commercial and industrial loans with original balances of \$1 million or less. Due to its asset size, the Bank is not subject to data collection and reporting of small business loans. As a result, this evaluation includes an analysis of a sample of small business loans originated during the review period. According to Bank records, Savers originated 63 and 47 small business loans in 2012 and 2013, respectively. Based on this universe, the agencies sampled 24 loans for each year. Of these loans sampled, 16 loans for each year were inside the assessment area.

In addition, consumer loans constitute a lesser portion of the Bank's lending activity; and the Bank did not originate any small farm loans. As such, these loan products were not included in the evaluation.

Given the composition of the loan portfolio and the business strategy, home mortgage loans received greater weight over the small business loan activity in the overall CRA performance evaluation.

The Community Development Test includes community development loans, investments, and services for the period November 22, 2010 through May 12, 2014.

PERFORMANCE CONTEXT

Description of Institution

Savers Co-operative Bank is a Massachusetts state-chartered, mutual, cooperative financial institution established in 1910 and headquartered in Southbridge, Massachusetts. In addition to the main office located at 270 Main Street in Southbridge, the Bank operates five branch offices with one office each in the communities of Uxbridge, Auburn, Grafton, Charlton, and Sturbridge. One office (Southbridge office) is located in a moderate-income census tract, three offices are in middle-income census tracts, and two offices are in upper-income census tracts. All offices are equipped with an automated teller machine (ATM) and drive-up facilities.

The Bank has total assets of \$458 million as of March 31, 2014, consisting principally of loans and securities. Total assets increased by 13.8 percent since the last CRA evaluation dated November 22, 2010. The loan portfolio accounted for most of the asset growth, with commercial and residential real estate loans being the primary contributors. Asset growth has been funded mainly through an increasing deposit base (13.4 percent increase) and borrowings.

Loans total \$350 million as of March 31, 2014, and account for 76.4 percent of total assets. Refer to **Table 1** for information regarding the composition of the loan portfolio.

Table 1 – Loan Distribution As of March 31, 2014		
Loan Type	Dollar Amount (000s)	Percent of Total Loans
Construction & Land Development	6,542	1.9
Secured by Farmland	0	0.0
1-4 Family Residential	228,667	65.3
Multifamily (5 or more)	14,639	4.2
Secured by Nonfarm Nonresidential	62,829	17.9
Total Real Estate Loans	\$312,677	89.3
Commercial and Industrial	8,783	2.5
Consumer	28,585	8.2
Agricultural	0	0.0
Total Loans	\$350,045	100.0

Source: Consolidated Report of Condition and Income (Call Report)

As the data in the above table shows, the Bank is primarily a real estate lender, with 89.3 percent of the loan portfolio secured by commercial and residential properties. Residential real estate loans comprise the single greatest share of the loan portfolio. Multi-family properties (5+ units) and one-to-four-family residences secure these loans. Residential real estate products include closed-end mortgage loans, equity loans, and revolving home equity lines of credit. Loans secured by commercial real estate comprise the next largest share of the real estate portfolio (17.9 percent). Loans to finance consumer purposes make up nearly all of the remainder of the total loan portfolio (8.2 percent).

The Division assigned the Bank a CRA rating of “High Satisfactory” and the FDIC assigned a CRA rating of “Satisfactory” at its last joint CRA evaluation dated November 22, 2010. There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires each financial institution to define an assessment area or areas within which its performance will be evaluated. Savers Co-operative Bank defined its assessment area to include the following 13 Massachusetts communities: Auburn, Charlton, Douglas, Dudley, Grafton, Millbury, Northbridge, Oxford, Southbridge, Sturbridge, Sutton, Uxbridge, and Webster. These communities are located in the Worcester, Massachusetts Metropolitan Statistical Area (MSA) # 49340.

Geographies

Based on 2010 U.S. Census data, the assessment area contains 37 census tracts. Of those tracts, 1 (2.7 percent) is low-income, 8 (21.6 percent) are moderate-income, 20 (54.1 percent) are middle-income, and 8 (21.6 percent) are upper-income.

Population and Family Distribution

Based on 2010 Census data, the total population of the assessment area is 174,646 persons, and there are 65,943 households and 46,203 families. The distribution of families by income level reveals that 17.3 percent are low-income, 17.6 percent are moderate-income, 23.8 percent are middle-income, and 41.3 percent are upper-income. Nearly five percent of the assessment area families have family income below the poverty level. These families would have difficulty qualifying for a home loan or supporting a monthly payment on the assessment area's median home value of \$300 thousand.

Examiners use median family income (MFI) to determine the distribution of home mortgage loans by borrower income level. The Federal Financial Institution Examination Council (FFIEC) calculates the annual MFI, which incorporates the U.S. Census Bureau's American Community Survey (ACS) information. The 2012 and 2013 FFIEC-calculated MFI for the Worcester, MA MSA was \$83,600 and \$81,300, respectively. **Table 2** provides a breakdown of borrower income levels used for the review:

Table 2 – Median Family Income Ranges Worcester, Massachusetts MSA					
Family Income Category (As % of MSA Median)	2012		2013		
	From	To	From	To	
Low (< 50%)	\$1	\$41,799	\$1	\$40,649	
Moderate (50% - 79%)	\$41,800	\$66,879	\$40,650	\$65,039	
Middle (80% - 119%)	\$66,880	\$100,319	\$65,040	\$97,559	
Upper (>= 120%)	\$100,320	+	\$97,560	+	

Housing

There are 70,477 housing units in the assessment area, of which 69 percent are owner-occupied, 25 percent are renter-occupied, and 6 percent are vacant. **Table 3** provides demographic and economic information pertaining to the assessment area's housing characteristics by census tract income category.

Table 3 - Selected Housing Characteristics By Census Tract Income Category									
Census Tract Inc. Category	Percentage						Median		
	Census Tracts	Families	Housing Units	Owner- Occupied	Rental Units	Vacant Units	Age	Home Value	Gross Rent*
Low	2.7	1.3	1.6	0.4	4.4	4.3	31	\$163,000	\$825
Moderate	21.6	16.0	18.7	11.6	34.5	33.9	39	\$251,003	\$816
Middle	54.1	56.4	55.1	60.0	44.4	42.6	42	\$286,930	\$807
Upper	21.6	26.3	24.6	28.0	16.7	19.2	40	\$345,790	\$896
Total	100.0	100.0	100.0	100.0	100.0	100.0	41	\$300,234	\$825

Source: 2010 U.S. Census data; * - Based on Renter-Occupied Units

Unemployment

Unemployment rates within the assessment area have decreased since the prior exam. As of March 2014, The Bureau of Labor Statistics reported an unemployment rate of 7.6 percent for Worcester County. As a comparison, the Massachusetts unemployment rate was 6.8 percent, while the United States unemployment rate was 6.9 percent.

Business Data

According to Dun and Bradstreet data, there were 14,231 and 13,037 nonfarm businesses within the assessment area during 2012 and 2013, respectively. **Table 4** illustrates the number of nonfarm businesses by census tract level and by the business' annual revenue.

Table 4 - Nonfarm Business Demographics In Assessment Area				
Nonfarm Businesses	2012		2013	
<i>By Census Tract</i>	#	%	#	%
Low	144	1.0	141	1.1
Moderate	2,197	15.4	1,962	15.0
Middle	8,112	57.1	7,458	57.2
Upper	3,778	26.5	3,476	26.7
Total	14,231	100.0	13,037	100.0
<i>By Annual Revenue</i>		%	#	%
≤ \$1 million	10,386	73.0	9,598	73.6
> \$1 million	601	4.2	582	4.5
Rev. Unknown	3,244	22.8	2,857	21.9
Total	14,231	100.0	13,037	100.0

Source: 2012 and 2013 Dun & Bradstreet data

Between 2012 and 2013, the total number of nonfarm businesses declined by 8.4 percent. During the same period, the percentage of businesses located in low- and moderate-income census tracts remained stable, while the percentage of businesses reporting company GARs of less than \$1 million also remained stable.

Competition

In addition to the demographic composition and economic environment of the assessment area, competition from other financial intermediaries influences the Bank's lending performance. As of June 30, 2012, there were 23 FDIC-insured or National Credit Union Administration (NCUA)-insured financial institutions operating 69 branch offices within the assessment area.

Based on its number of branches and total deposits, Savers' market share was 8.7 percent (rank 3rd) and 8.0 percent (rank 3rd), respectively.

During 2012, 292 HMDA-reportable institutions originated 7,502 HMDA loans totaling \$1.5 billion in the assessment area. Based on its 2012 originations, Savers' market share was 3.73 percent by count and 3.02 percent by dollar volume, with an institution ranking of 4th and 5th, respectively. The other top four lenders by HMDA originations (by count) included: UniBank for Savings; Wells Fargo Bank, N.A., Milford Federal Savings & Loan; and JPMorgan Chase Bank, N.A. Collectively, these top five lead lenders (including Savers) accounted for 22.6 percent by count and 21.1 percent by dollar volume of the area's total market share.

COMMUNITY CONTACT

Examiners conducted a community contact interview as part of the evaluation process to gauge the credit needs and economic environment of Savers' assessment area. The organization is responsible for economic development within in the Town of Southbridge. The community contact expressed interest in local financial institutions doing more revitalization of older buildings, especially in the downtown area of Southbridge. The contact also stated the need for new markets tax credits to help spur development of affordable housing.

The community contact expressed interest in having local financial institutions provide technical expertise for their respective organizations. This could come in the form of board representation where area banks could use their financial or technical expertise to target future affordable housing developments on behalf of community groups.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

This examination evaluated Savers' performance under the Lending Test pursuant to the following criteria: loan-to-deposit (LTD) ratio; lending area concentration; lending to borrowers of different incomes and businesses of different sizes (borrower profile); geographic distribution of loans; and the Bank's record of taking action in response to CRA complaints. The agencies evaluated the Bank's lending performance based on the number of loans originated. Unless otherwise noted, the Bank's performance by dollar amount shows similar results. We discuss each of the performance criteria below.

Loan-To-Deposit Ratio

The LTD ratio measures the percentage of the Bank's deposit base reinvested in the form of loans, and evaluates its appropriateness. As of March 31, 2014, the Bank's average net LTD ratio was 93.7 percent and is more than reasonable given the institution's size, resources, business strategy, and assessment area credit needs.

Examiners calculated the average net LTD ratio by averaging the Bank's 14 quarterly LTD ratios since the previous CRA evaluation. As depicted in **Table 5** below, the Bank's average LTD ratio was less than the average LTD ratio of four similarly-situated financial institutions, and greater than three similarly-situated institutions. The agencies used the similarly situated financial institutions because of their similar asset size, product mix, and market area.

Table 5 - Average Net Loan-to-Deposit Ratio As of March 31, 2014		
Financial Institution	Total Assets ('000's)	Average Net LTD Ratio
Southbridge Savings Bank	\$440,540	103.7
Hometown Bank	\$372,131	98.0
Spencer Savings Bank	\$422,088	94.9
Bay State Savings Bank	\$302,482	94.3
Savers Co-operative Bank	\$457,970	93.7
Webster Five Cents Savings Bank	\$555,870	76.6
Anthol Savings Bank	\$334,975	63.3
North Brookfield Savings Bank	\$216,144	62.9

During the 14 quarters since the previous examination, the Bank's LTD ratio displayed a trend of growth, with a low of 88.9 percent at September 30, 2011 and a high of 102.7 percent at March 31, 2014. The Bank experienced loan growth over the evaluation period. Net loans increased by \$70.4 million, or 25.2 percent, from \$279.6 million to \$350 million. Deposits for the same time period increased 13.4 percent, from \$298 million to \$337.9 million. Examiners attribute the increase in loan growth primarily to the relatively low interest rates during the evaluation period. Additionally, it is important to note the Bank sold 168 HMDA loans totaling \$32.2 million during 2012 and 2013. Because the Bank sold these loans, they are not reflected in the LTD ratio, but are indicative of the Bank's willingness to make funds available to meet the credit needs of its community.

Examiners also compared Savers' net LTD ratio to the Bank's peer group. The Bank's net LTD ratio of 102.7 percent is significantly higher than the Uniform Bank Performance Report (UBPR) Peer Group Average Report net LTD ratio of 83.4 percent as of March 31, 2014. All insured savings banks having assets between \$300 million and \$1 billion defines the Bank's peer group.

Assessment Area Concentration

Examiners considered the Bank's performance satisfactory under this criterion. Savers originated a majority of its home mortgage and small business loans within the assessment area. As depicted in **Table 6** below, the Bank originated 782 residential mortgage loans totaling \$127 million during the review period. Furthermore, based on internal records, the Bank originated 110 small business loans totaling \$19.3 million during the review period.

Overall, a majority of home mortgage loans and small business loans originated inside the Bank's assessment area. Using the reported HMDA loans and a sampling of small business loans, the Bank originated 62.1 percent and 62.9 percent of the loans inside the assessment area by number and dollar volume, respectively. Please refer to **Table 6** for details concerning the Bank's assessment area concentration.

Table 6 - Distribution of Loans Inside and Outside the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (\$'000s)				
	Inside		Outside		Total By #	Inside		Outside		Total By \$ Amt
	#	%	#	%		\$	%	\$	%	
Home Mtg:										
2012	281	61.5	176	38.5	457	\$46,392	65.1	\$24,864	34.9	\$71,256
2013	202	62.2	123	37.9	325	35,566	63.8	20,215	36.2	55,781
Subtotal	483	61.8	299	38.2	782	\$81,958	64.5	\$45,079	35.5	\$127,037
Sm Business:										
2012 (1)	16	66.7	8	33.3	24	\$965	28.4	\$2,436	71.6	\$3,401
2013 (2)	16	66.7	8	33.3	24	1,571	41.0	2,265	59.1	3,836
Subtotal	32	66.7	16	33.3	48	\$2,536	35.0	\$4,701	65.0	\$7,237
Total	515	62.1	315	38.0	830	\$84,494	62.9	\$49,780	37.1	\$134,274

Source: HMDA disclosure statements (2012 & 2013) and bank loan data collection (2012 & 2013)

(1) Based on a sampling of 24 loans, from a universe of 63 loans originated in 2012

(2) Based on a sampling of 24 loans, from a universe of 47 loans originated in 2013

Home Mortgage Lending

Overall, the Bank extended a majority of home mortgage loans by number and dollar volume inside the assessment area. Specifically, the Bank originated 61.8 percent and 64.5 percent of HMDA loans by count and dollar volume, respectively, in the assessment area. During the review period, while the percentage of HMDA loans within the assessment area remained stable, the overall volume of loans declined. This decline is attributed primarily to a lower demand for refinance loans.

Small Business Lending

Savers originated a majority of small business loans inside the assessment area during the review period. Overall, the Bank originated 66.7 percent and 35.0 percent of small business loans by count and dollar volume, respectively, in the assessment area. As previously mentioned, the small business lending evaluation is based on a sampling of small business loans using bank records.

During the review period, the percentage of small business loans in the assessment area by count remained the same while the percentage based on dollar volume declined.

Borrower Profile

Examiners reviewed the distribution of loans, predicated on borrower income and small business revenue, to determine the extent to which the Bank addressed the credit needs of its residents and small business customers within its assessment area during the review period.

The distribution of lending to borrowers reflected, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Lending

The Bank's performance, relative to the distribution of borrowers, reflected excellent penetration in its assessment area of loans among individuals of different income levels, given the product lines offered by the Bank. **Table 7** illustrates loan originations, categorized by borrower income level reported by Savers during 2012 and 2013, and compares this activity to the 2012 aggregate lenders and the demographic percentage of families by income level within the assessment area.

Table 7 – Distribution of HMDA-Reportable Loans By Borrower Income Category								
Borrower Income Level	Demographics % of Total Families	Aggregate 2012 % of #	Savers Co-operative Bank					
			2012		2013		Total	
			#	%	#	%	#	%
Low	17.3	7.1	22	7.8	26	12.9	48	9.9
Moderate	17.6	18.7	72	25.6	52	25.7	124	25.7
Middle	23.8	26.8	70	25.0	45	22.3	115	23.8
Upper	41.3	42.2	109	38.8	79	39.1	188	38.9
Income NA	0.0	5.2	8	2.8	0	0.0	8	1.7
Total	100.0	100.0	281	100.0	202	100.0	483	100.0

Source: U.S. Census data, HMDA Aggregate Data (2012), HMDA Disclosure Statement (2012), and HMDA Data Collection (2013)

During 2012, the Bank extended 22 loans (7.8 percent) to low-income borrowers and 72 loans (25.6 percent) to moderate-income borrowers. This performance is similar to the aggregate's penetration of 7.1 percent to low-income borrowers and exceeds the aggregate's 18.7 percent to moderate-income borrowers. During 2013, the Bank extended 26 loans (12.9 percent) to low-income borrowers and 52 loans (25.7 percent) to moderate-income borrowers. The Bank's 2013 penetration to low- and moderate-income borrowers was greater than its 2012 activity to low-income borrowers, and similar to its 2012 penetration to moderate-income borrowers.

During the review period, the Bank's penetration to low- and moderate-income borrowers was below the demographic percentage of 17.3 percent of low-income families and exceeded the 17.6 percent of moderate-income families located in the assessment area. The aggregate's penetration to low- and moderate-income borrowers was also below the demographic data for low-income families, but more consistent for moderate-income families. This suggests that many low-income families are not financially capable to purchase a home.

In addition to the ability to meet or exceed the aggregate performance, Savers also achieved good market ranks within the assessment area. Analysis of the 2012 aggregate data revealed the Bank ranked 6th with a market share of 4.15 percent, out of 111 HMDA-reporting lenders originating 530 home mortgage loans to low-income borrowers. Moreover, the Bank ranked 2nd with a market share of 5.14 percent, out of 155 HMDA-reporting lenders originating 1,400 loans to moderate-income borrowers. The rankings indicate the Bank has been very successful in helping to meet the home mortgage lending needs of low- and moderate-income residents in the assessment area.

Small Business Lending

Savers demonstrated adequate penetration of loans to businesses of different revenue sizes, indicating that the Bank reasonably served the credit needs of smaller businesses in the assessment area. **Table 8** illustrates a sample of small business loan originations, based upon business gross annual revenue (GAR) reported during 2012 and 2013, and compares this activity to the 2012 and 2013 demographic percentage of nonfarm businesses by GAR within the assessment area.

Table 8 – Distribution of Small Business Loans By Gross Annual Revenue of Businesses								
Gross Annual Revenue (000s)	Demographics:		Savers Co-operative Bank					
	% of AA Businesses		2012		2013		Total	
	2012	2013	#	%	#	%	#	%
≤ \$1,000	73.0	73.6	12	75.0	9	56.3	21	65.6
> \$1,000	4.2	4.5	4	25.0	7	43.7	11	34.4
Not Available	22.8	21.9	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	16	100.0	16	100.0	32	100.0

Source: Dun & Bradstreet data (2012 & 2013) and commercial loan trials (2012 & 2013)

In 2012, the Bank originated 75.0 percent (by number) of its in-area loans to businesses with GARs of \$1 million or less. The Bank's performance was similar to the 2012 demographic percentage of businesses with GARs of \$1 million or less at 73.0 percent. In 2013, the Bank originated 56.3 percent (by number) of its in-area loans to businesses with GARs of \$1 million or less. The Bank was below the 2013 demographic percentage of businesses with GARs of \$1 million or less at 73.6 percent.

While examiners used sampling to analyze the Bank's lending activity to businesses based on GAR, the loan size was used as a proxy to further analyze the size of the business being financed. Of the 32 in-area small business loans sampled during the review period, 26 loans (81.3 percent) originated in amounts of \$100,000 or less; 5 loans (15.6 percent) originated in amounts greater than \$100,000 and less than or equal to \$250,000; and 1 loan (3.1 percent) originated in amounts \$250,000 to \$1 million. Given that nearly 97 percent of the small business loans originated in amounts of \$250,000 and less during the review period, Savers is reasonably serving small- and medium-sized businesses consistent with its business strategy.

Geographic Distribution of Loans

Examiners reviewed the geographic distribution of loans to assess the Bank's performance in addressing credit needs throughout its assessment area. The focus of this analysis is to assess the Bank's home mortgage and small business loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts.

Overall, the geographic distribution of home mortgage and small business lending reflects reasonable dispersion throughout the assessment area, particularly in low- and moderate-income census tracts, during the review period.

Home Mortgage Lending

The Bank's HMDA lending performance in low- and moderate-income census tracts is reasonable. **Table 9** illustrates loan originations categorized by census tract income level reported by Savers during 2012 and 2013, and compares this activity to the 2012 aggregate lenders and 2010 census demographic percentages of owner-occupied (O/O) housing units within the assessment area.

Table 9 – Distribution of HMDA-Reportable Loans By Census Tract Income Level								
Census Tract Inc. Level	Demographics % of O/O Housing Units	Aggregate	Savers Co-operative Bank					
		2012	2012		2013		Total	
		% of #	#	%	#	%	#	%
Low	0.4	0.2	0	0.0	1	0.5	1	0.2
Moderate	11.6	9.2	28	10.0	15	7.4	43	8.9
Middle	60.0	54.0	172	61.2	138	68.3	310	64.2
Upper	28.0	36.6	81	28.8	48	23.8	129	26.7
Total	100.0	100.0	281	100.0	202	100.0	483	100.0

Source: U.S. Census data, HMDA Aggregate Data (2012), HMDA Disclosure Statement (2012), and HMDA Data Collection (2013)

In 2012, the Bank did not generate any loans in the assessment area's low-income census tract. This performance is not unusual given the limited opportunities within this tract. Based on 2010 Census data for the low-income tract, 0.4 percent of the total units were owner-occupied. Further, aggregate data reflects only 0.2 percent of all home mortgage loans originations in the low-income tract. The Bank's lending performance within moderate-income census tracts was adequate. During 2012, the Bank originated 28 loans (10 percent) in moderate-income tracts. The bank's performance was similar to both the aggregate's 9.2 percent penetration of loans in such tracts and to the demographic 11.6 percent of owner-occupied housing units in those tracts. During 2013, the bank extended 1 loan (0.5 percent) in the low-income tract and 15 loans (7.4 percent) in moderate-income tracts. This lending activity was similar to the demographic percentage of owner-occupied housing units in the low-income tract, but below the demographic percentage of such units in moderate-income tracts.

A further analysis of aggregate data revealed Savers achieved a good market share of HMDA loans originated in moderate-income census tracts. For 2012, the Bank ranked 4th with a market share of 4.06 percent, out of 121 HMDA-reporting lenders originating 690 loans in moderate-income census tracts. This ranking indicates that the Bank was successful in helping to meet the home mortgage lending needs in moderate-income census tracts in the assessment area.

Small Business Lending

The Bank demonstrated good penetration of small business loans throughout its assessment area. **Table 10** illustrates a sample of small business loan originations categorized by census tract income level reported by Savers during 2012 and 2013, and compares this activity to the 2012 and 2013 demographic distribution of nonfarm businesses within the assessment area.

Table 10 – Distribution of Small Business Loans By Census Tract Income Level								
Census Tract Inc. Level	Demographics:		Savers Co-operative Bank					
	% of AA Businesses		2012		2013		Total	
	2012	2013	#	%	#	%	#	%
Low	1.0	1.1	0	0.0	4	25.0	4	12.5
Moderate	15.4	15.0	3	18.8	1	6.3	4	12.5
Middle	57.1	57.2	9	56.2	9	56.2	18	56.2
Upper	26.5	26.7	4	25.0	2	12.5	6	18.8
Total	100.0	100.0	16	100.0	16	100.0	32	100.0

Source: Dun & Bradstreet data (2012 & 2013) and commercial loan trials (2012 & 2013)

In 2012, the Bank originated no loans in the single low-income census tract and 18.8 percent of its loans (by count) in moderate-income census tracts. The Bank's performance was similar to the 2012 demographic percentage of businesses in low-income census tracts at 1.0 percent, and slightly above the demographic percentage of businesses in moderate-income census tracts at 15.4 percent. In 2013, the Bank originated 25.0 percent (by number) of its loans in the low-income census tract and 6.3 percent of its loans in moderate-income census tracts. The Bank greatly exceeded the 2013 demographic percentage of businesses in low-income census tracts at 1.1 percent, and well below the demographic percentage of businesses in moderate-income census tracts at 15.0 percent.

Response to CRA Complaints

During the evaluation period the Bank had no CRA related consumer complaints; however, examiners noted the Bank maintains adequate procedures to handle all incoming consumer complaints, including those related to its CRA performance.

COMMUNITY DEVELOPMENT TEST

Community development activities considered for the Community Development Test include:

- (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals;
- (2) Community services targeted to low-or moderate-income individuals;
- (3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company Programs or have gross annual revenues of \$1 million or less;
- (4) Activities that revitalize or stabilize low-or moderate-income geographies; or
- (5) Loans, investments, and services that support, enable, or facilitate Neighborhood Stabilization Program (NSP) eligible activities in designated target areas.

Overall, Savers Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area. The institution primarily assesses the community development opportunities within its assessment area through involvement in local organization, as well as through communications with customers during regular retail banking activities and with participants at financial education seminars.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose; (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan); and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

During the evaluation period, Savers originated 9 loans totaling \$6,992,000 over the period reviewed, November 22, 2010 through May 12, 2014. All of the loans were to community service organizations within the Bank's assessment area and the amounts target low- and moderate-income individuals. The loans are outlined here:

- In 2012 the Bank provided a \$250,000 line of credit and in 2013 provided a \$245,000 interest only loan to a non-profit community-centered organization that provides after-school services and activities primarily to low- and moderate-income individuals. This organization is located in a low-income census tract. The line of credit helps fund the shortfall of receivables mainly from the State and their daycare program. The asset secured interest only loan is to fund the purchase of an adjacent property near the center that recently became vacant.
- In 2013 the Bank granted a \$1,000,000 loan to an LLC located in downtown Southbridge addressing affordable housing for the area. This mixed-use property has commercial tenants on the first floor and 40 residential tenants on the second floor. All of the residential tenants have rents below the fair-market rents established by HUD for Worcester County in 2013. In addition, many of the tenants receive state and federal assistance. One of the commercial tenants is a non-profit that helps adults with mental illness, disabilities, or who are disadvantaged from homelessness or poverty to prepare for, find, and retain employment.
- In 2013 the Bank provided a \$22,000 vehicle loan for a mini-van and continues to extend a 25,000 operating line of credit to a child care services organization. The organization provides community services targeted to low- and moderate-income individuals. This organization's program is voucher funded through the Commonwealth of Massachusetts and works with low-income individuals on a sliding fee scale through the Department of Early Education. The mini-van provides transportation for teens and the homeless.

- In 2014, the Bank participated with three other local banks in providing a \$1,500,000 loan to a non-profit organization that operates a youth outreach program, daycare center and provides support to local and community organizations throughout the Blackstone Valley. The community services offered target low-and moderate-income individuals. Savers Bank's loan participation amount totaled \$300,000 to this organization.
- During the evaluation period, the Bank provided a \$650,000 line of credit in 2013, a \$1,500,000 line of credit in 2013, and a \$3,000,000 loan in 2014 to a limited partnership providing affordable housing within the assessment area. This partnership owns and operates a 40-unit, government-sponsored multifamily complex in Northbridge. The Massachusetts Housing Finance Agency (MHFA) regulates the partnership. All the units receive Section 8 subsidies from HUD.

Qualified Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during the evaluation period.

Equity Investments

The Bank continues to maintain one equity investment purchased during the prior evaluation period. On October 13, 2010, the Bank purchased a qualified equity investment that supports affordable housing. The following is a summary of this investment:

- *Federal National Mortgage Association (Fannie Mae)*: Fannie Mae is a stockholder-owned corporation that purchases and securitizes mortgages to ensure funds are available to lending institutions. The Bank currently holds one Fannie Mae security that is secured by one to four family residential mortgages, all of which were made to low- and moderate-income borrowers. Three of the seven loans are located within the Bank's assessment area and four are located in Worcester, just outside the assessment area. The current total book value of the security is \$976,309.

Charitable Contributions

The Bank has also provided assistance to community development efforts in the assessment area through direct grants and charitable contributions to organizations that provide education, youth programs, affordable housing, health and human services, and economic development. The Bank's grants and contribution that meet the definition of qualified investments totaled \$76,684 over the period covered by this evaluation. **Table 11** illustrates a breakdown by year and community development purpose.

Table 11-Community Development Grants and Donations by Category

Category	2011		2012		2013		1/1/2014-3/31/2014		TOTAL	
	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	2	6,000	0	0	0	0	0	0	2	6,000
Community Services	14	20,440	11	17,664	16	27,560	2	200	43	65,864
Revitalization/Stabilization	1	2,000	0	0	0	0	0	0	1	2,000
Economic Development	0	0	0	0	1	3,000	0	0	1	3,000
Total	17	28,440	11	17,664	17	30,560	2	200	47	76,684

Source: Internal Bank Records

The following is a sample of organizations that received donations from the Bank.

Alternatives: Alternatives provides a wide scope of services for adults with developmental disabilities. The services target low- and moderate-income individuals. These services address their need for a pleasant and secure home life, for meaningful daily pursuits, for active community participation and for relationships that sustain and fulfill them. Alternatives receive 43 percent of its funding from the Department of Mental Health, 29 percent from the Department of Developmental Services, and 13 percent from the Department of Medical Services.

Community Harvest Project - At their farms in North Grafton, thousands of volunteers come together every year to help plant, tend and harvest hundreds of thousands of pounds of fresh fruits and vegetables for their neighbors in need. The services target low- and moderate-income individuals. In Worcester County, over 99,000 people utilize hunger relief services through local food pantries, soup kitchens, and shelters. The Bank provided funds that assist Community Harvest Project to provide a consistent supply of high quality, highly nutritious, fresh fruits and vegetables distributed throughout these hunger relief organizations.

Dress for Success: The mission of Dress for Success is to promote the economic independence of disadvantaged women by providing professional attire, a network of support, and the career development tools to help women thrive in work and in life. The organization targets low- and moderate-income women.

Pernet Family Health Service: Pernet Family Health Service is a 501 (c)(3) non-profit, DPH-certified home-health agency working with low- and moderate-income individuals and families to provide family-centered, health and social services that lead to long term strengthening and enhancement of family and community life.

Tri-Valley Inc. Fuel Assistance Program: Established in 1976, Tri-Valley, Inc. is a private, non-profit agency providing information, referrals, and care management for in home and community services in Central Massachusetts. Tri-Valley, Inc. is committed to the rights of elders and individuals with disabilities to live independently with dignity and safety in a setting of their choice. The fuel assistance program provides fuel assistance relief for needy, typically low- and moderate-income, elderly residents.

United Way of Southbridge: United Way of Southbridge, Sturbridge, and Charlton is a vital link between local non-profit organizations and the residents of these towns. Working together, they raise funds, increase volunteerism, and promote awareness – to ensure better lives for those less fortunate in the community. The United Way of Southbridge primarily supports local community service organizations which target services for low-and moderate-income individuals.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial or technical services or assistance. Bank employees donate their time to community organizations that med the definition of community development by providing technical and financial expertise.

Involvement in Community Development Organizations

The following are examples of how the Bank's participation with various organizations has benefited the assessment area.

Center for Women and Enterprise- The Center for Women and Enterprise helps women start and grow their own business. The organization works hard to ensure that all women, regardless of their economic status, are provided access to the organization's programs and services. The Bank's Assistant Vice President of Business Banking serves as a member of this organization.

United Way - United Way of Southbridge, Sturbridge and Charlton is a vital link between local non-profit organizations and the residents of these towns The Bank's President and CEO serves as an Advocate member of this organization. The Bank's Vice President of Retail also serves as a Board Member.

Webster Square Business Association – The purpose of the Webster Square Business Association is to ensure that the Webster Square area remains a flourishing commercial destination by creating a favorable business environment, making the district active for visitors, and supporting the local community. The Bank's Assistant Vice President of Business Banking serves as a member.

Tri-Community YMCA - This organization offers numerous programs to families and individuals of all ages regardless of their ability to pay. The Bank's President and CEO serves as Chairman on the Capital Facilities Endowment Fund. The Bank's Vice President of Commercial lending also serves on the Board and Finance Committee.

Educational Seminars

Bank officers and employees participated in seminars and other events sponsored or co-sponsored by the Bank during the evaluation period. These events provided opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to educate the community about basic banking skills and potential financial obstacles they may face. The following is a sample of educational seminars offered by the Bank during the evaluation period.

- The Bank is a participant in the Save for America program. Under this program, Bank representatives visit three local elementary schools in Southbridge weekly to open savings accounts, accept deposits, and educate the students on the importance of savings. As of May 12, 2014, the Bank had 239 accounts with \$26,385 in deposits.
- The Bank hosted special education students from the Southbridge High School to help them open accounts while they learn about their accounts and finances through their teacher.
- Bank has sponsored seven homebuyer events, five in 2012, and two in 2013 for first-time homebuyers. The events helped potential homebuyers with understanding the steps in the home buying process and the programs available to assist income eligible first-time homebuyers.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

There was no evidence of discriminatory or other illegal credit practices identified at the recent examination of the Bank that were inconsistent with helping to meet community credit needs.

APPENDIX A
DIVISION OF BANKS
Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

A review of the Bank's public file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has written loan policy that incorporates a statement of policy against discrimination. All mortgage loans are underwritten to secondary market guidelines. The Bank has a second review for all denied home mortgage loans. The Bank provides annual fair lending training to all staff, including the Board of Directors. .

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, we identified no violations of anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

The Bank's residential lending was compared with the 2012 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on the Bank's minority application flow as well as a comparison of the aggregate lenders throughout the Bank's assessment area.

Table 12 MINORITY APPLICATION FLOW					
RACE	2012 Bank		2012 Aggregate Data	2013 Bank	
	#	%	%	#	%
<i>American Indian/ Alaska Native</i>	1	0.2	0.1	0	0.0
<i>Asian</i>	7	1.3	2.7	1	0.4
<i>Black/ African American</i>	0	0.0	0.5	1	0.4
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	1	0.2	0.1	1	0.4
<i>Joint Race (White/Minority)</i>	7	1.3	0.7	2	0.9
Total Minority	16	3.0	4.2	5	2.1
<i>White</i>	514	95.9	75.7	223	97.0
<i>Race Not Available</i>	6	1.1	20.1	2	0.9
Total	536	100.0	100.0	230	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	8	1.5	1.4	3	1.3
<i>Not Hispanic or Latino</i>	517	96.5	78.0	224	97.4
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	5	0.9	0.8	1	0.4
<i>Ethnicity Not Available</i>	6	1.1	19.8	2	0.9
Total	536	100.0	100.0	230	100.0

Source: 2012 and 2013 HMDA LAR, 2012 HMDA Aggregate Data, 2010 U.S. Census Data

The Bank's application flow to ethnic minorities slightly exceeded the aggregate in 2012. However, the Bank's racial minority application flow was below the aggregate for the same period.

APPENDIX B GENERAL DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one has incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 270 Main Street, Southbridge, MA 01550."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.